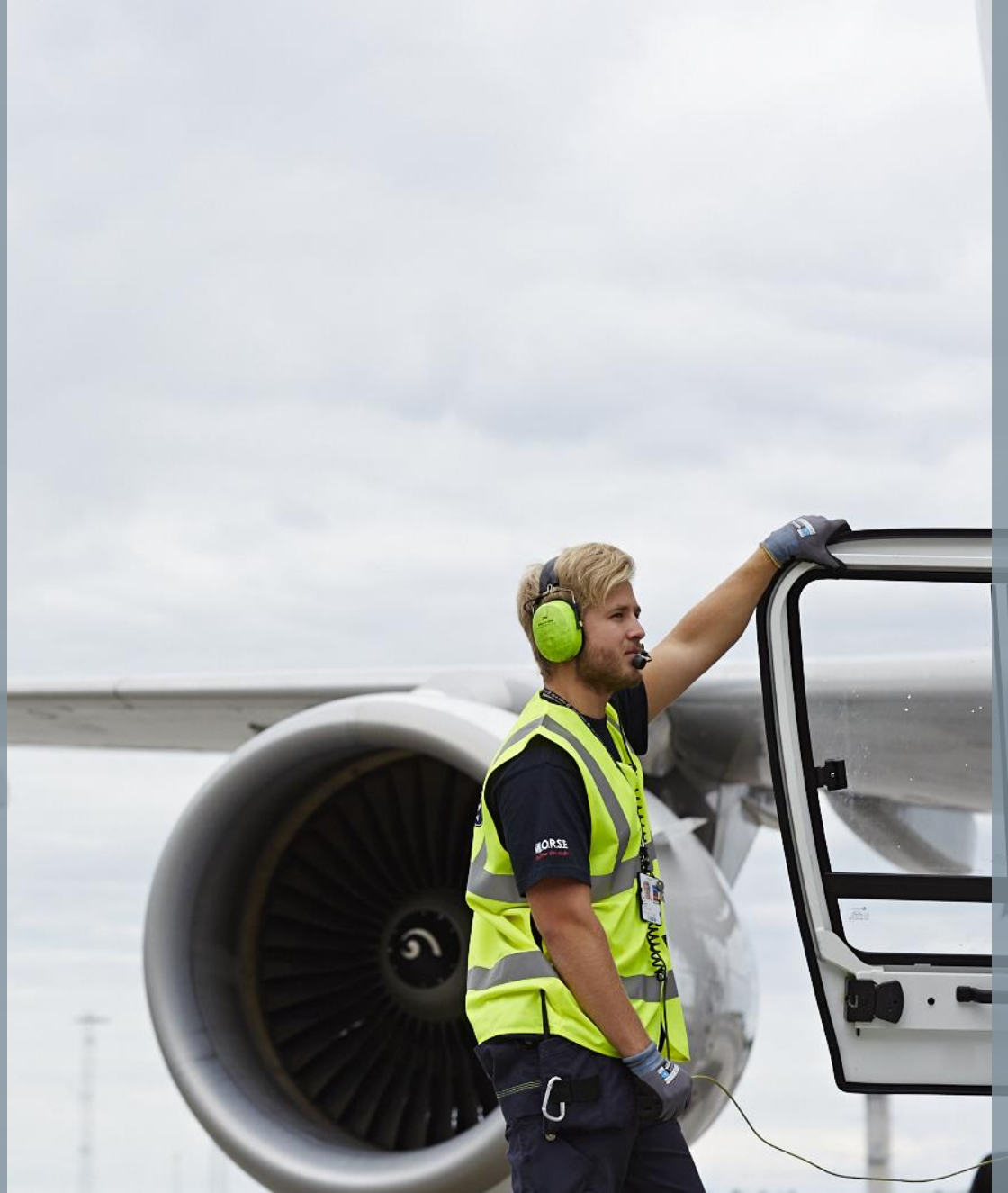


JOHN MENZIES PLC

RESULTS PRESENTATION

10 MARCH 2015



John Menzies plc – Final Results



10 March 2015

Agenda

- Headlines Jeremy Stafford
- Financial & Business Overview Paula Bell
- Strategy & Operational Update Jeremy Stafford
- Questions

John Menzies plc

2014 Headlines



Group underlying operating profit down 9% in constant currency

- **Distribution continues to be resilient and highly cash generative**
- **Aviation turnover growth of 9% at constant currency**
 - **profitability held back by start-up costs, operational and integration issues**

Strong financial position

- **Operating cash flow of £74.0m**
- **Net debt of £110.9m**

Dividend rebased

Strategic refresh – more later

A person wearing a high-visibility yellow vest and black pants is walking away from the camera on a wet tarmac. They are carrying a black bag. The tarmac is reflective, showing the underside of a large white airplane above. The background shows a green field and a line of trees under a bright sky.

FINANCIAL & BUSINESS OVERVIEW

Paula Bell
Chief Financial Officer

Financial Overview



£m	2014	2014	2013
	Reported	Constant currency	
Turnover	1,999.9	2,050.9	2,000.3
Underlying operating profit	51.0	54.5	60.1
Interest	<u>(6.4)</u>	<u>(6.4)</u>	<u>(7.0)</u>
Underlying profit before tax	44.6	48.1	53.1
Operating cash flow	74.0		68.3
Net debt	110.9		103.5
Underlying effective tax rate	32%		25%
Underlying EPS	49.2p	55.1p	65.6p
Dividend	16.2p		26.5p

Divisional Performance



£m	Turnover			Underlying operating profit		
	2014	2014	2013	2014	2014	2013
	Reported	Constant currency		Reported	Constant currency	
Ground Handling	470.6	502.1	454.0	12.0	12.9	21.9
Cargo Handling	149.4	160.3	149.8	13.8	16.0	11.7
Cargo Forwarding	118.6	127.2	119.0	4.4	4.8	4.2
Aviation	738.6	789.6	722.8	30.2	33.7	37.8
Distribution	1,261.3	1,261.3	1,277.5	24.0	24.0	24.3
Corporate	-	-	-	(3.2)	(3.2)	(2.0)
Total	1,999.9	2,050.9	2,000.3	51.0	54.5	60.1

Menzies Distribution

2014 Overview



Summary

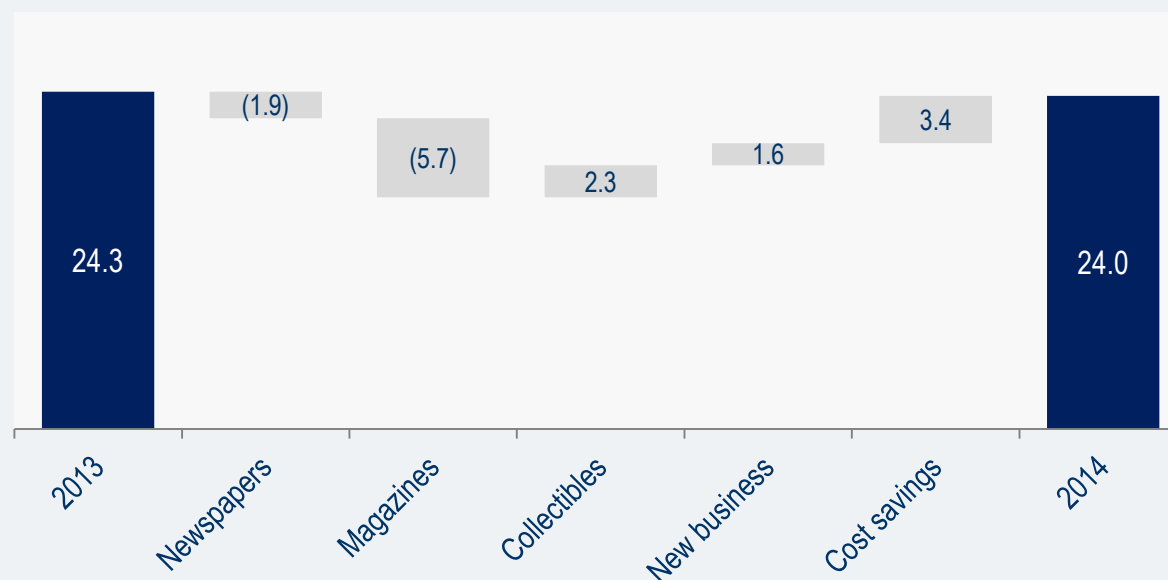
- New management team
- Resilient profit performance
- Strong FIFA World Cup collectibles sales and cost savings
- Strong performance from Orbital Marketing Services
- Reshaped with clear business streams

Network Rationalisation

- Reduced main hubs from 10 to 8
- Maidstone magazine super-hub created
- Anticipated cost efficiencies delivered
- Programme to continue into 2015

2014 Performance

Underlying
operating
profit (£m)



Menzies Aviation

2014 Overview



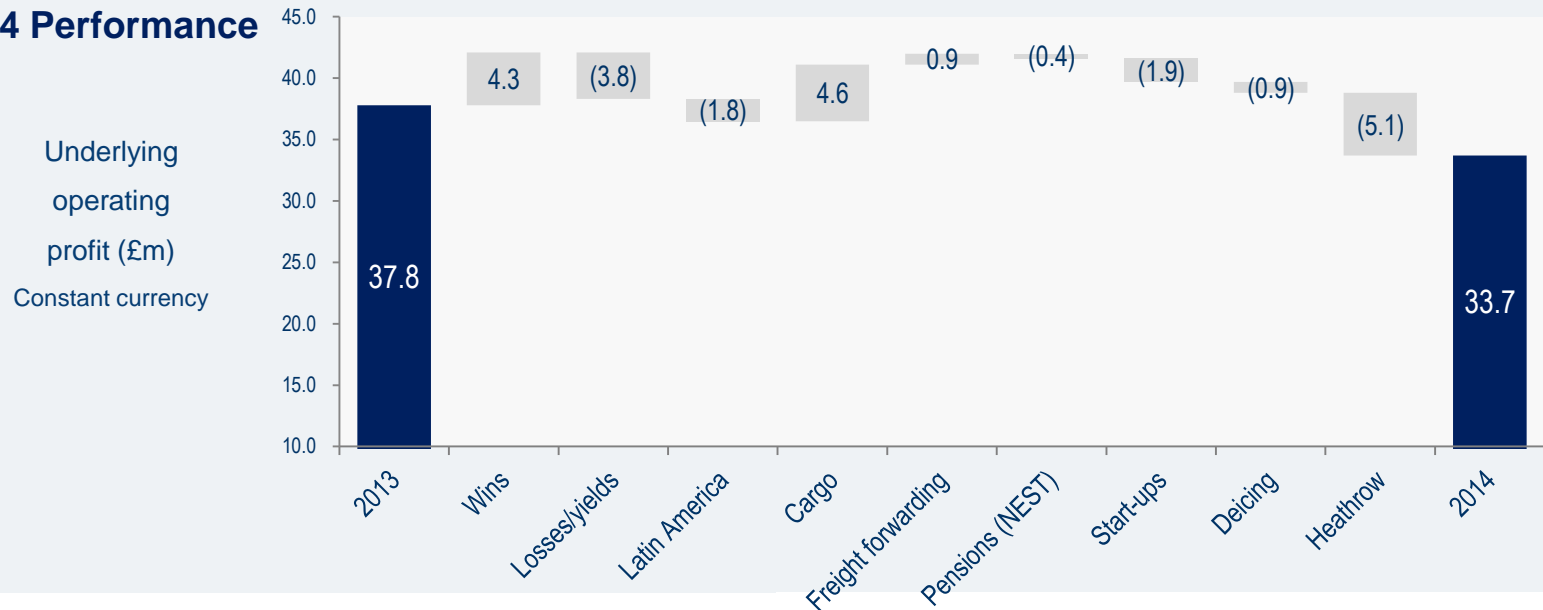
Summary

- Challenging year for the business
- Turnover increased 9% in constant currency
- Profit impacted by foreign exchange, start-up costs to support new contracts and operational issues
- Net contract gain momentum continued

Volume

- Ground Handling – absolute turns up 15%
 - Turns handled now exceed one million annually
- Cargo Handling – absolute tonnes up 10%
 - Tonnage growth from existing and new operations

2014 Performance



Menzies Aviation

Operational issues & recovery

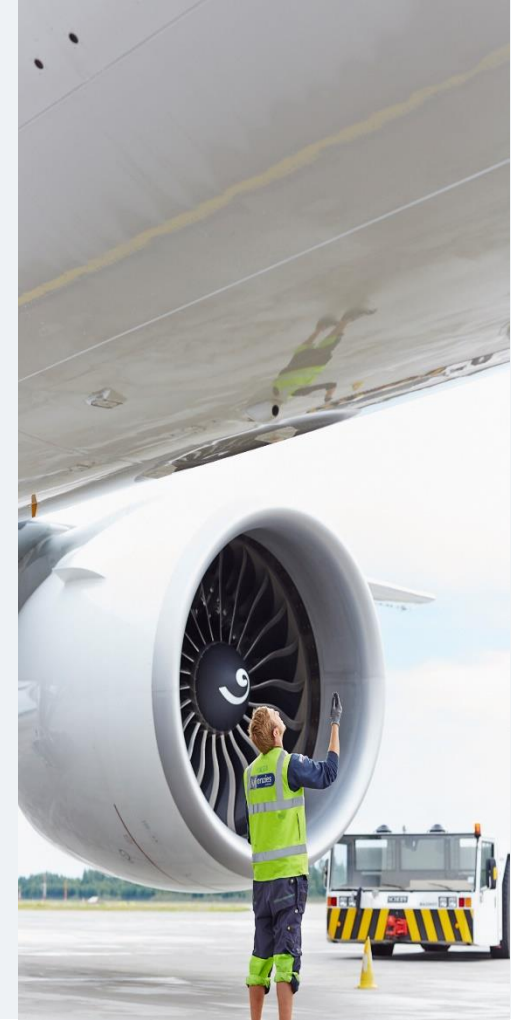


London Heathrow

- New management team in place – performance levels restored
- Customer confidence restored
 - 50% of business already renewed until 2017
 - New contract wins: American Airlines, Royal Jordanian
- 2015 reshape planned – margins restored for 2016

Colombia

- Difficult start with integration challenges
- Unforeseen customer losses



Menzies Aviation

Contract status



Wins

- easyJet at London Gatwick renewed on a 5 year contract, c60,000 turns per annum
- Excellent progress in North America as the outsourcing trend accelerates
 - Delta Air Lines in Detroit, United Airlines in Denver and WestJet in Toronto, c200,000 total turns
- Significant hub operations won in Europe
 - Norwegian Airshuttle hub in Oslo and bases in Copenhagen & Gothenburg secured on a 7 year contract, c55,000 turns per annum

Volume

- British Airways material volume reduction at London Heathrow Terminal 1
- Martinair fleet reduction will impact Amsterdam cargo operations from H2 2015

Losses

- Contracts lost during the year will impact 2015
 - Significant contract lost - SA Express at 10 locations across South Africa

Future Tenders

- Spanish ground handling tender process delayed - anticipated benefit will now be realised in 2016

Non-recurring Items - 2014

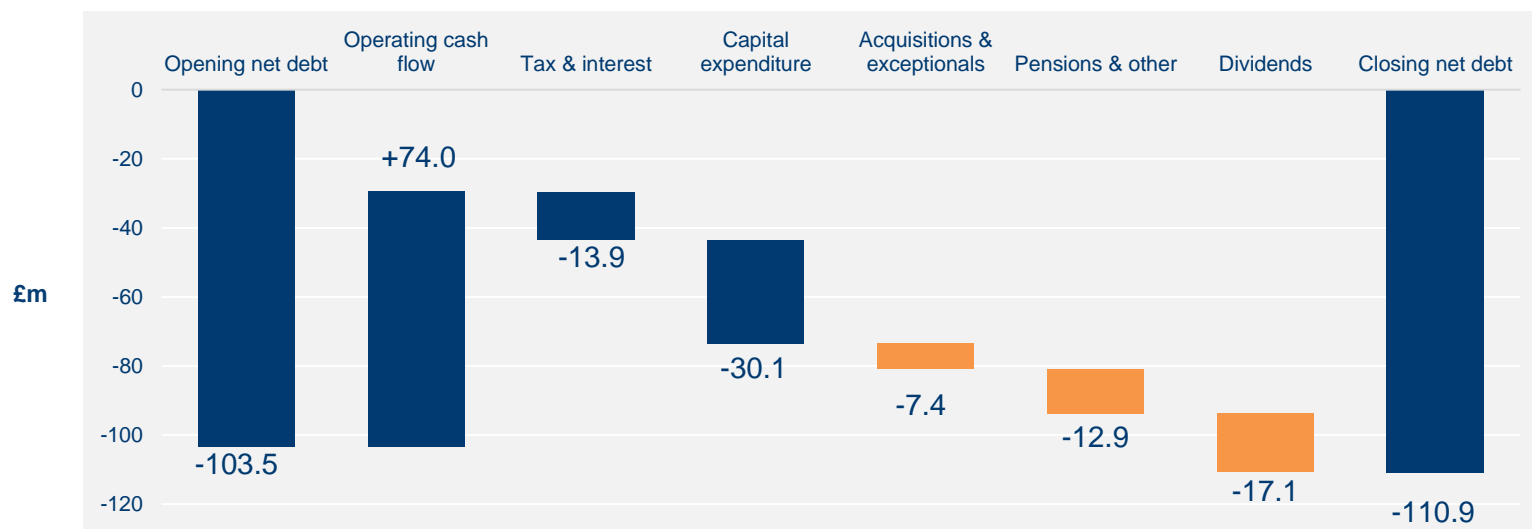


	£m
Planned Distribution rationalisation	3.7
Increased Orbital deferred consideration	2.3
Colombia impairment review (non-cash)	<u>3.2</u>
	9.2

Cash Flow



£m	2014	2013
Underlying EBITDA	74.9	82.5
Working capital decrease/(increase)	2.0	(13.0)
Other movements	(2.9)	(1.2)
Operating cash flow	74.0	68.3
Tax and net interest paid	(13.9)	(14.8)
Net capital expenditure	(30.1)	(20.9)
Free cash flow	30.0	32.6

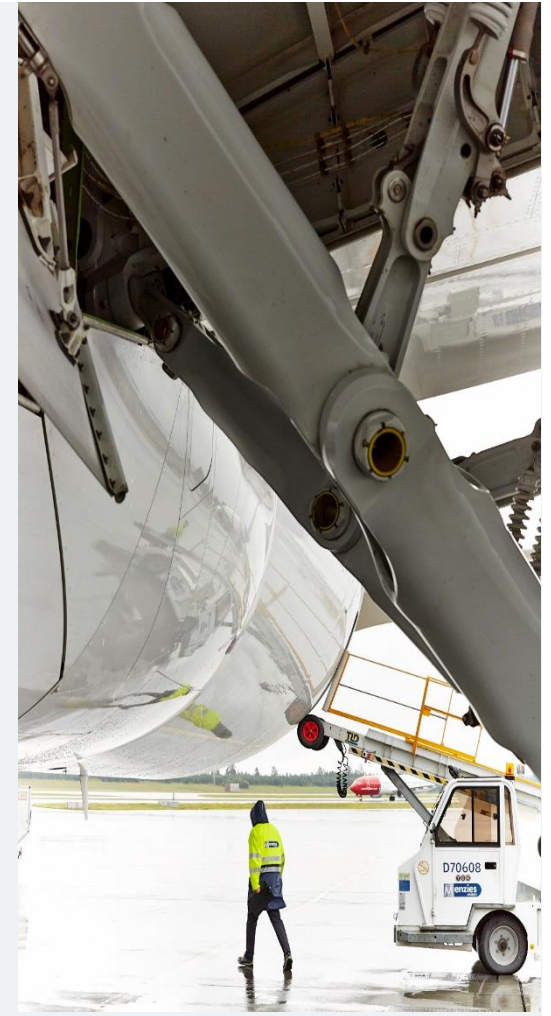


Headroom and Ratios



At 31 December 2014

- Undrawn bank facilities of £106m
- Total debt to EBITDA – 1.96 times
Looking forward – range 2.0 to 2.5x
- Interest cover ratio (EBITA to external interest charge)
– 10.5 times



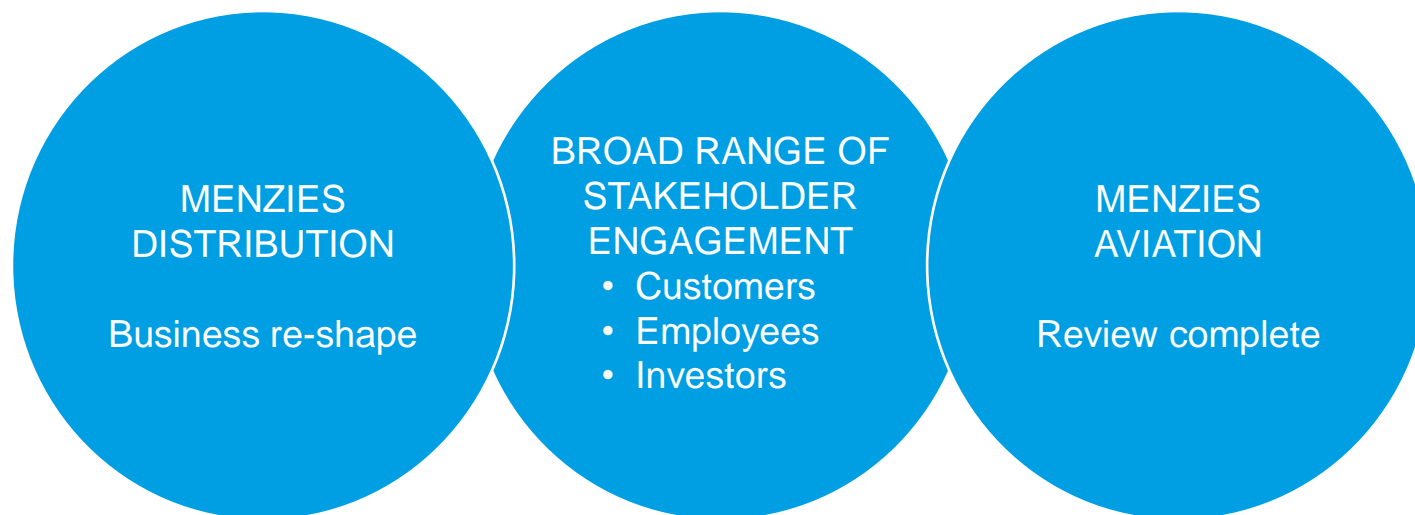


STRATEGIC REFRESH

Jeremy Stafford
Chief Executive Officer



Since October 2014 ...





MENZIES DISTRIBUTION



Five main business areas



TRUCKING



FINALMILE



HANDTOHAND



MENZIESRESPONSE



 **FORE**
leading retail thinking

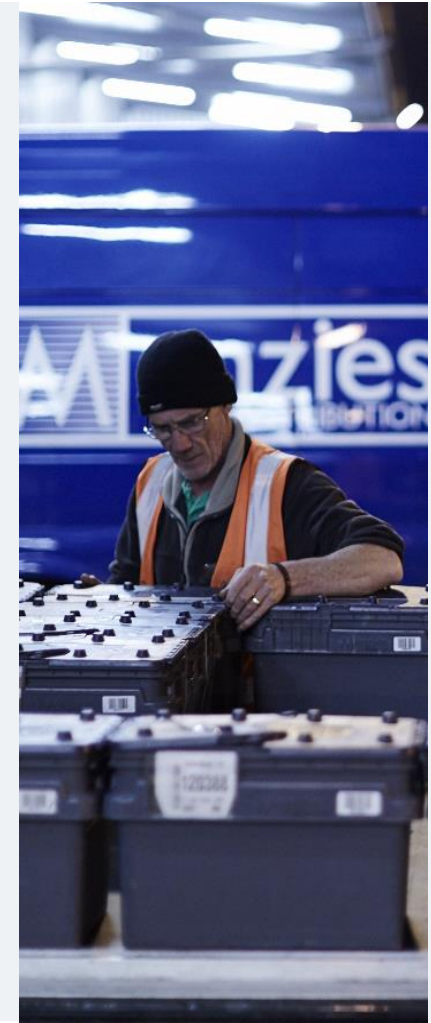
Menzies Distribution

Key characteristics



Significant player in the UK logistics market

- We handle an estimated 110m delivery units each year throughout the UK
- Expertise in:
 - Time-critical logistics management
 - Effective cost management in a declining market
- From new base of five main business areas, we will:
 - Leverage customer relationships
 - Achieve greater utilisation of our asset base
 - Exploit our geographical footprint
- Strong and sustained cash generation

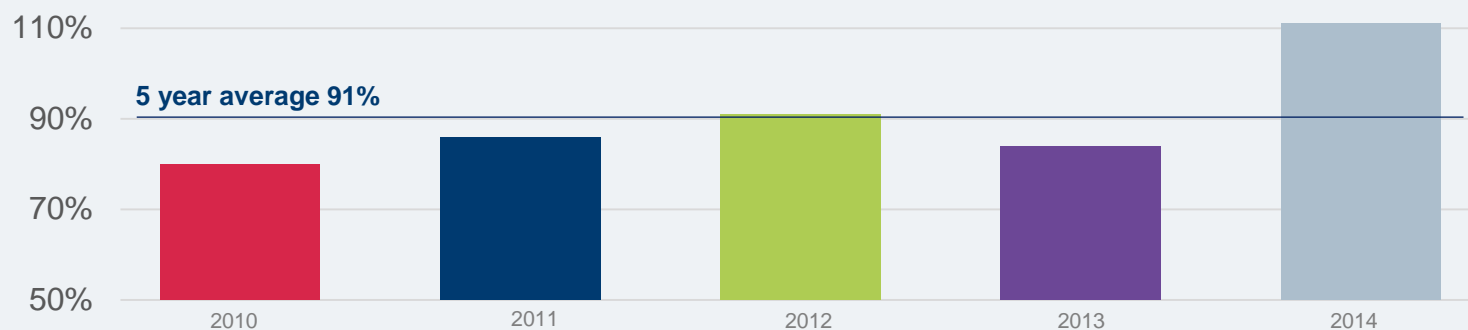


Menzies Distribution

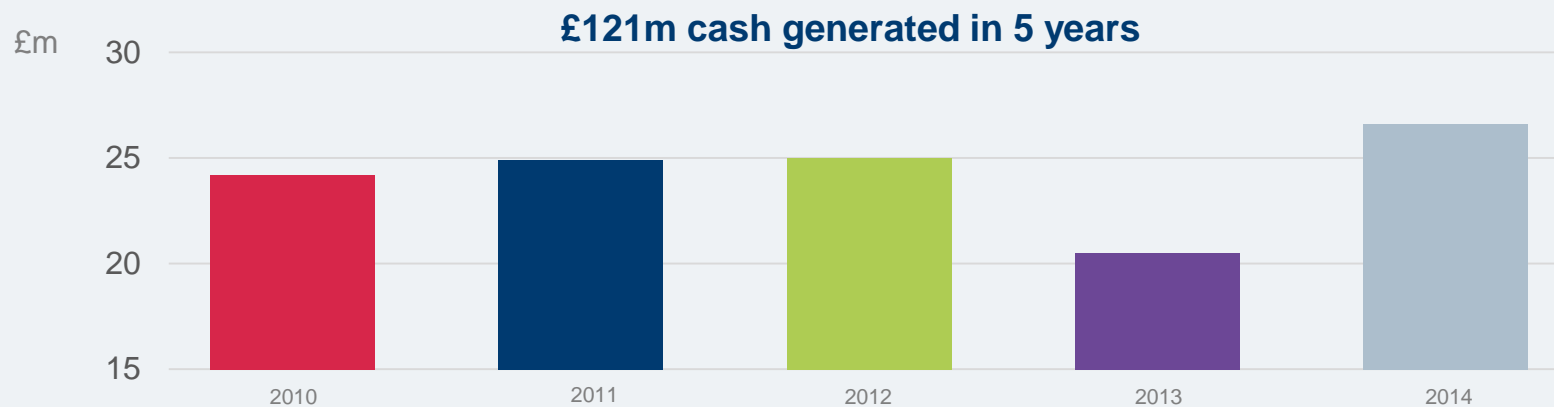
Cash generative



5 year cash conversion



5 year free cash flow



Orbital Marketing Services acquisition (Nov 2012)



Deal Rationale

Synergistic travel brochure distribution business with niche fulfilment business positioned for growth. Other small marketing businesses complemented Menzies existing offering

Original	Plan	Delivery	Outcome
	To grow e-fulfilment business winning new contracts and growing EBIT		MENZIESRESPONSE
	Travel brochure distribution to be integrated into core news and magazine network achieving budgeted synergies		FINALMILE
	Tourism leaflet business to be integrated into existing similar marketing services business		HANDTOHAND





MENZIES AVIATION

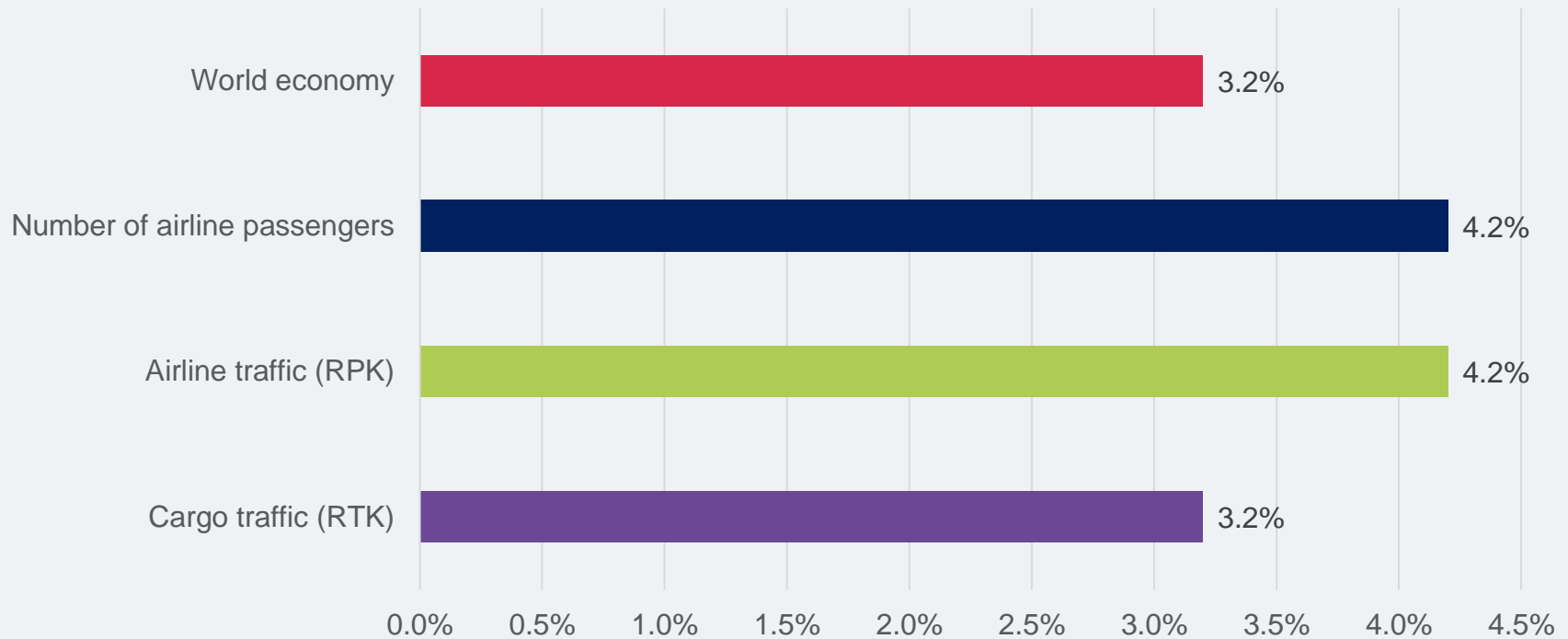


Aviation

A growth industry



Market Growth Rates



Source: Boeing Outlook 2014 - 2033

Global Aviation market projected to grow faster than GDP

Aviation Services

A fragmented market

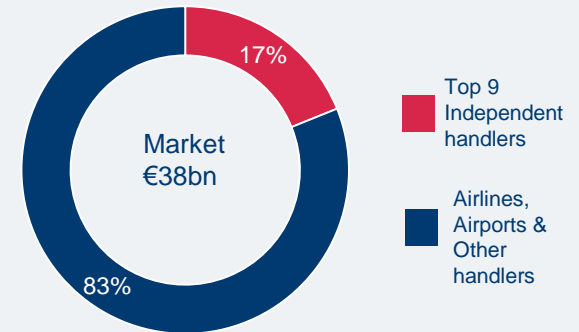


Other market participants

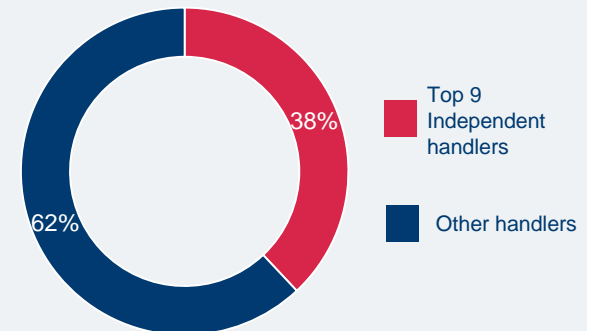


Independents' market share

Total available market



Current addressable market

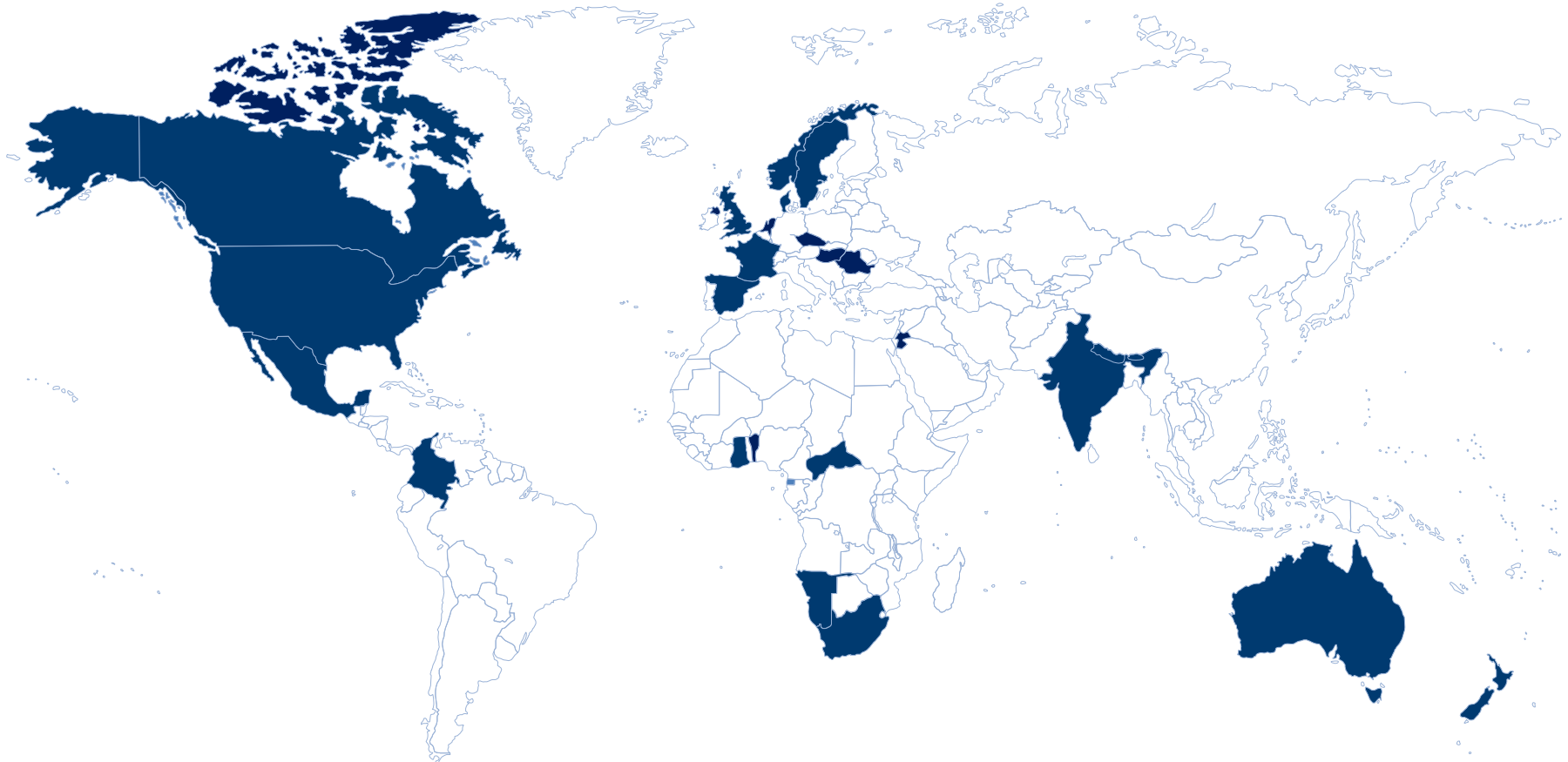


Source : KPMG Estimates

Top 9 independent handlers account for only 17% of the global market

Menzies Aviation

Concentration in key markets



149 airports

31 Countries

77m passengers

22,000 employees

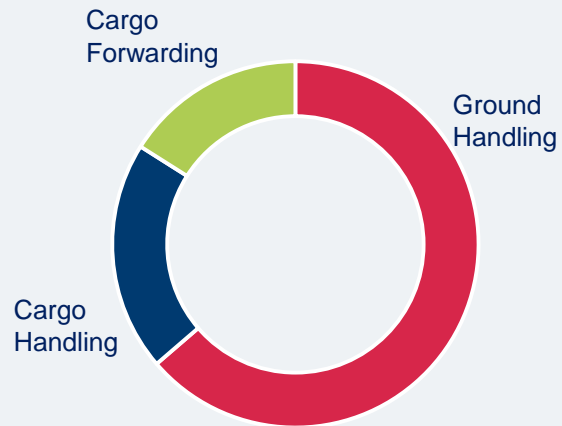
1.5m tonnes of cargo

1m turnarounds

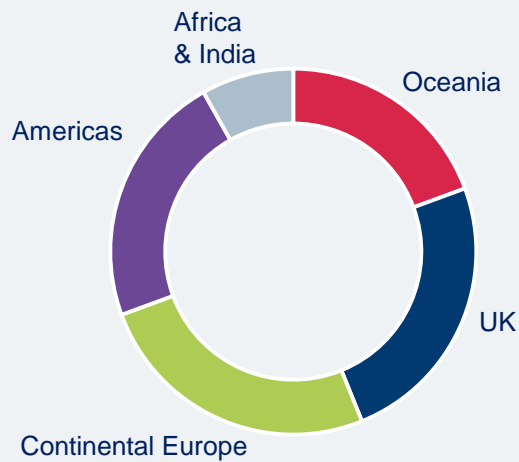
500 airline customers

A balanced platform for growth

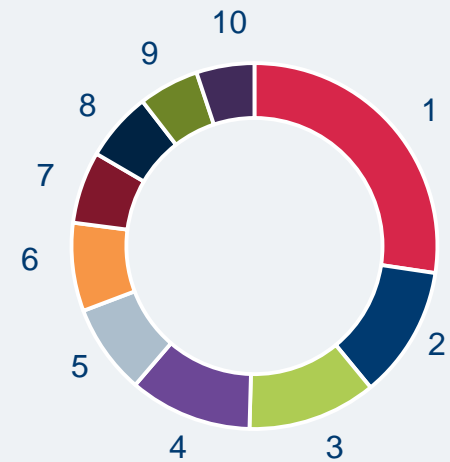
Service mix



Geography



Top 10 customers



Five strategic priorities

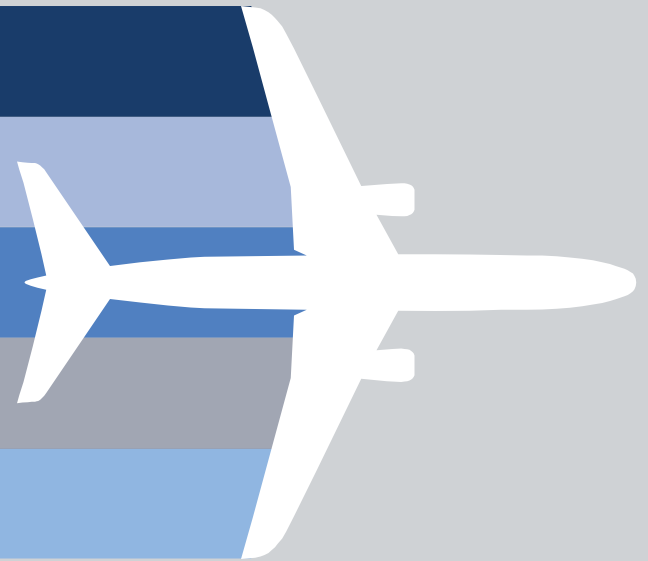
Focus on key customers

Pursue hubs & bases

Accelerate complementary services offering

Re-focus geographical investment

Expand in emerging markets



Driving better returns

Key customers – three main groupings

Our approach



**LOW COST CARRIERS /
REGIONALS**

**TRADITIONAL
CARRIERS**

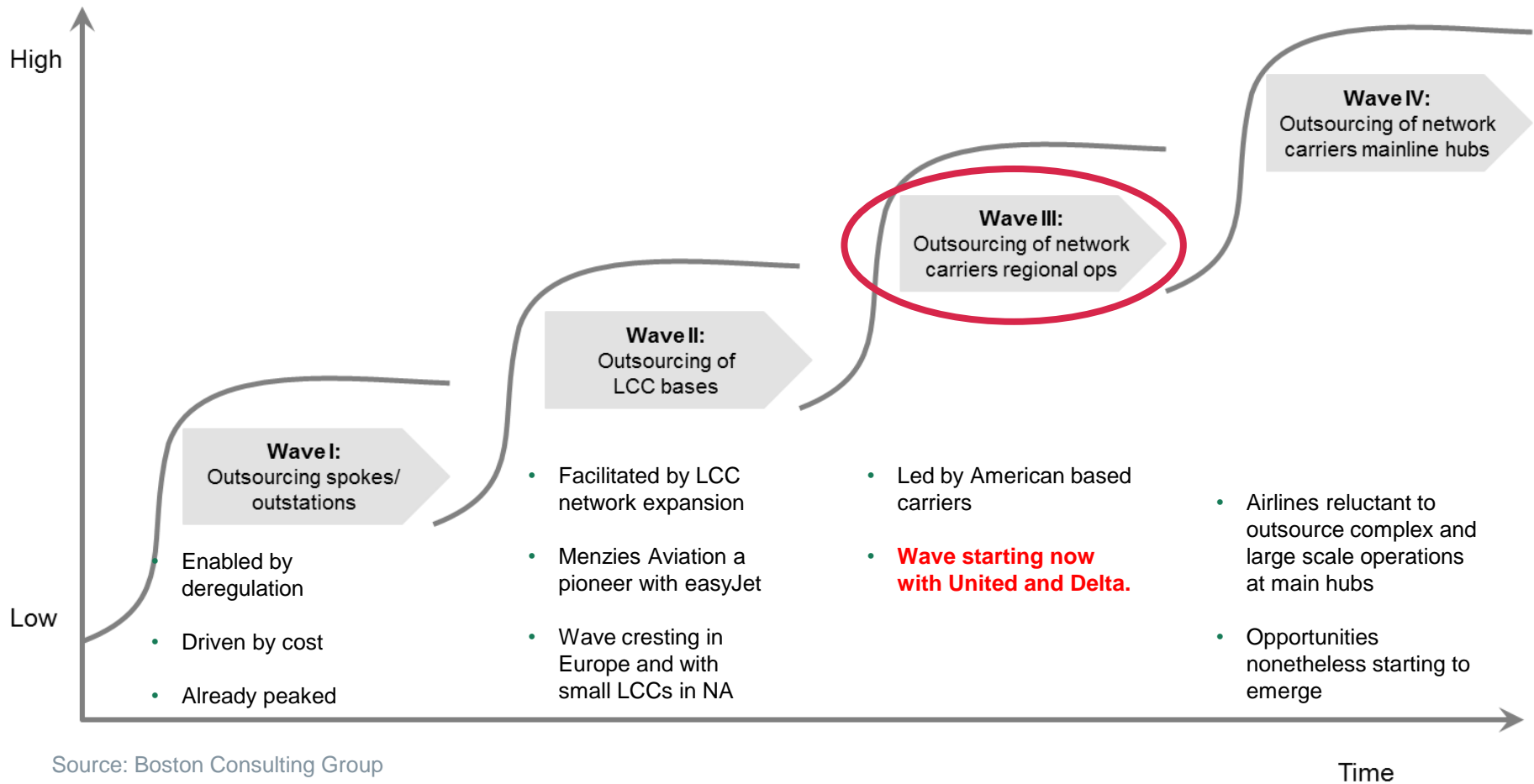
**ASIAN & MIDDLE
EASTERN CARRIERS**

Hub outsourcing

Four 'waves'



Market share third-party ground-handling

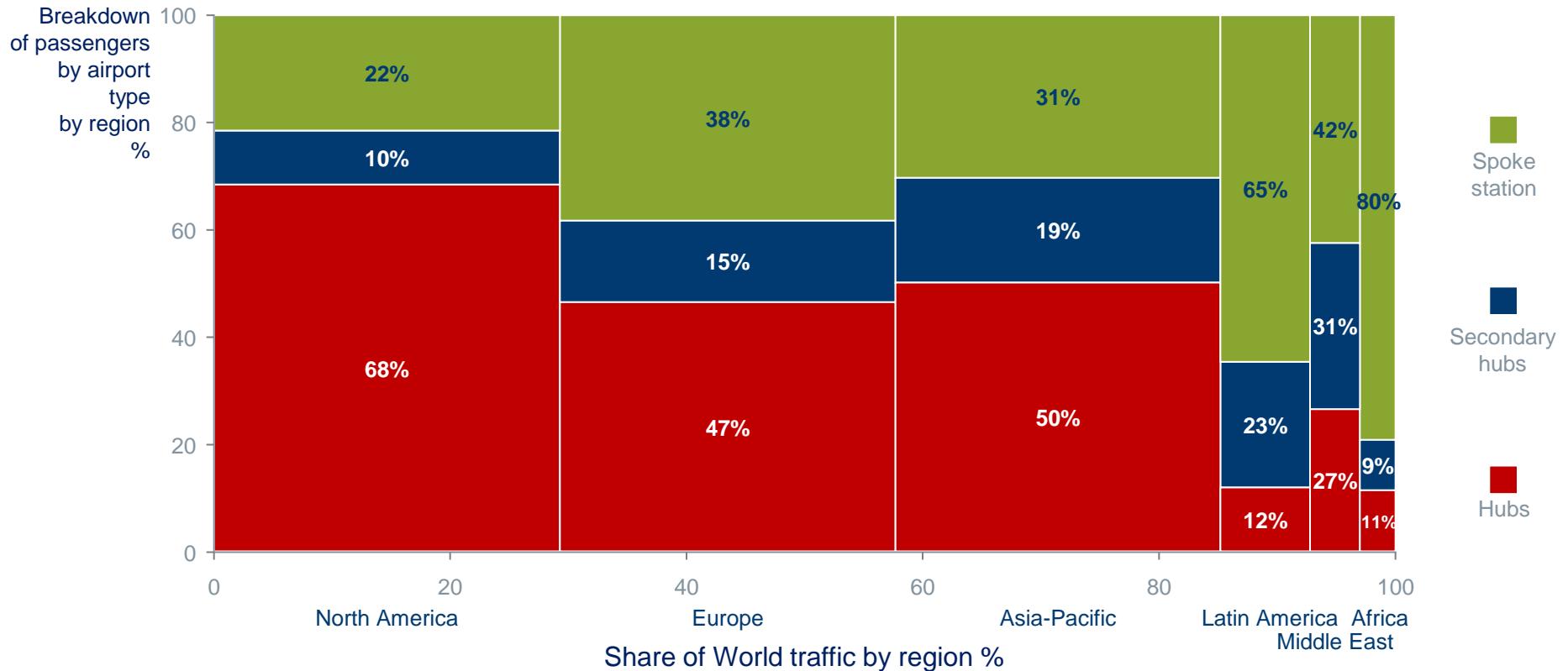


Hub outsourcing

The importance of hubs in global aviation



Global distribution of air passenger traffic by region and by airport type



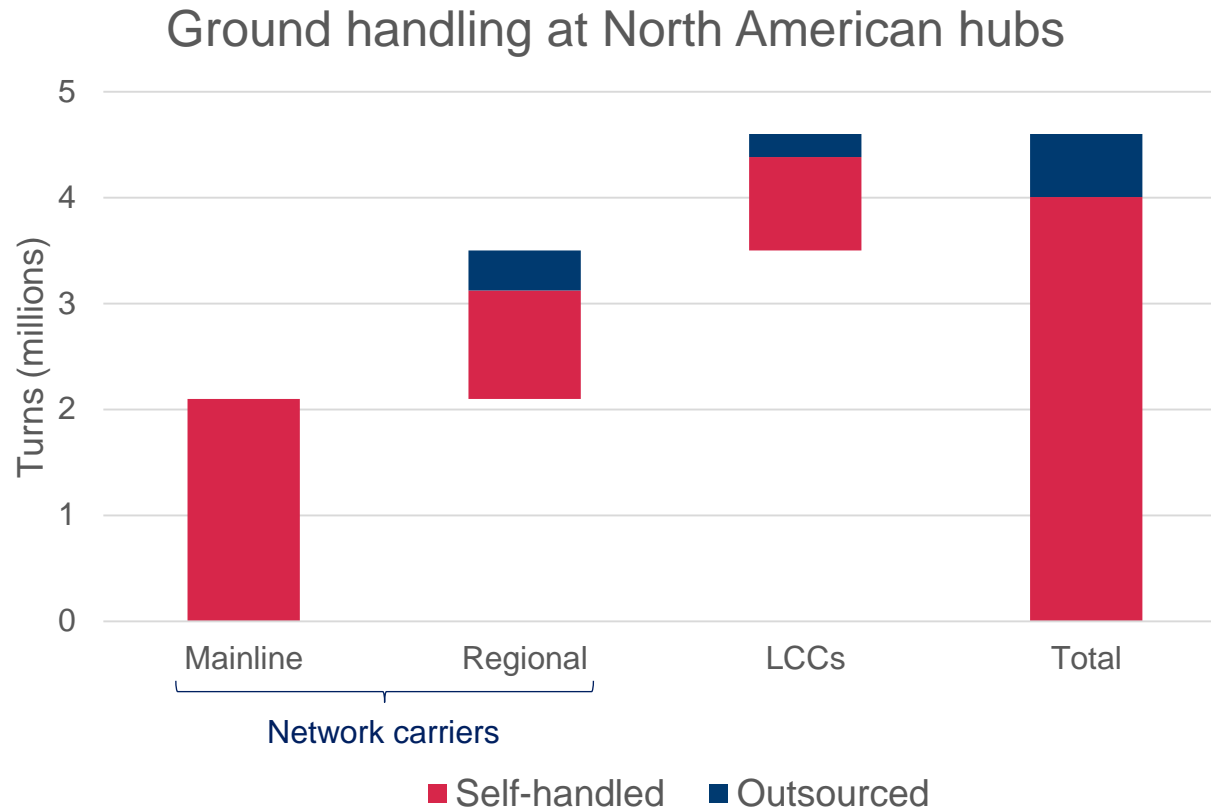
Source: Boston Consulting Group

Menzie's are a global leader in hub outsourcing and #1 in North America

Hub outsourcing



Significant opportunity at North American regional hubs



Network carriers are American, United, Delta, and Air Canada. *LCCs* are Southwest, JetBlue, Alaskan, WestJet, Frontier, Spirit, Virgin America, Air Transat, etc
Source: MA N.A., OAG, BCG analysis

Source: Boston Consulting Group

Hub outsourcing

Delta Air Lines – Detroit, USA



Major contract win – April 2014

- Sub-brand targeted at US domestic market
- First generation out-sourcing
- 58,000 turns per annum
- Low capital investment – airline owned equipment
- On time performance averaging 99.25%



Cross selling complementary services

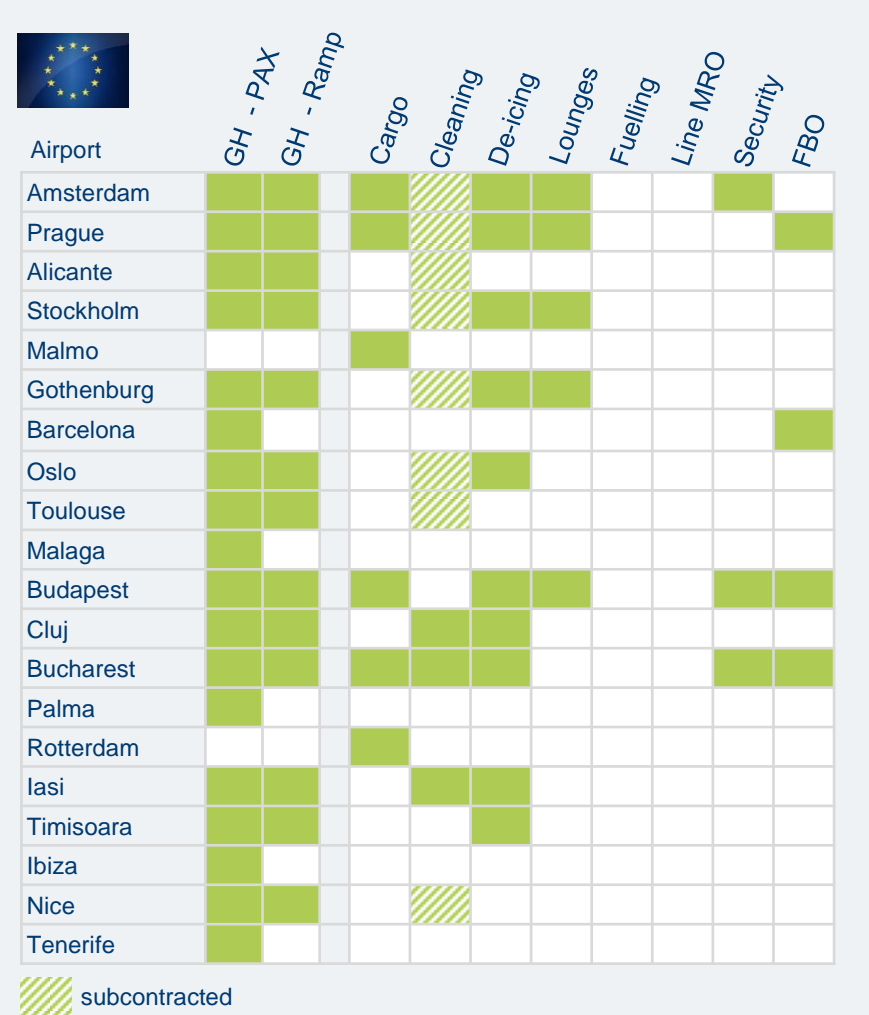
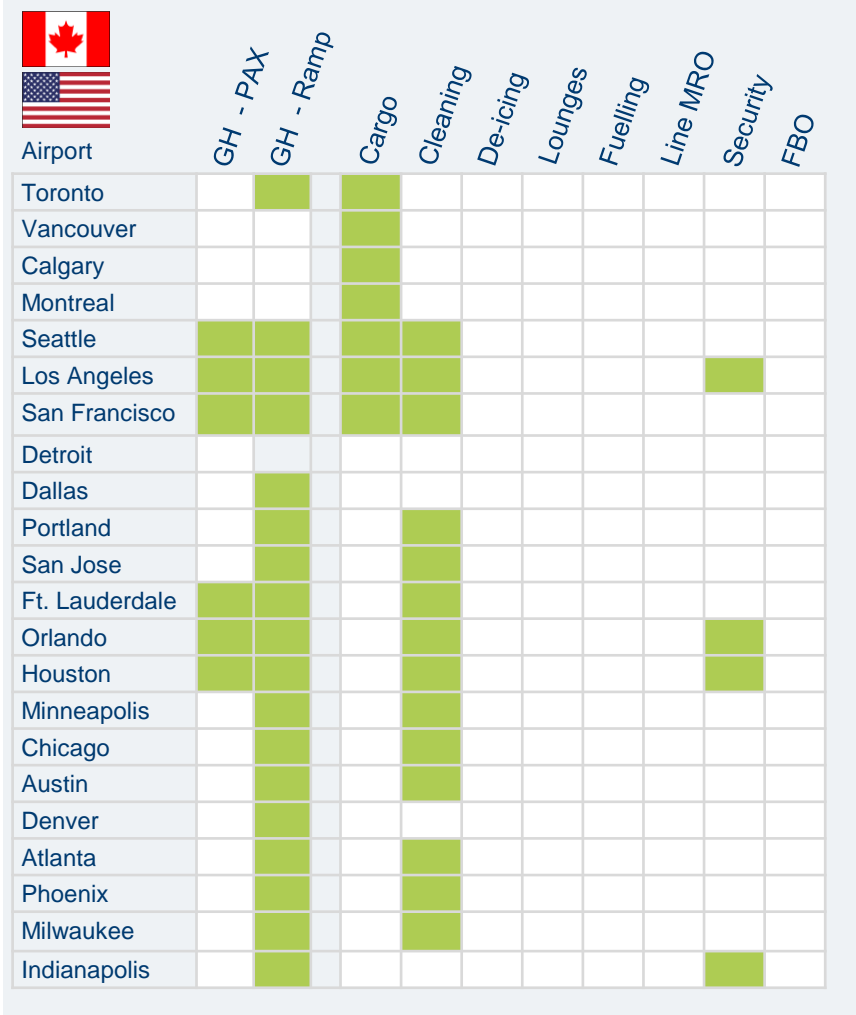
Chance to deepen our offering



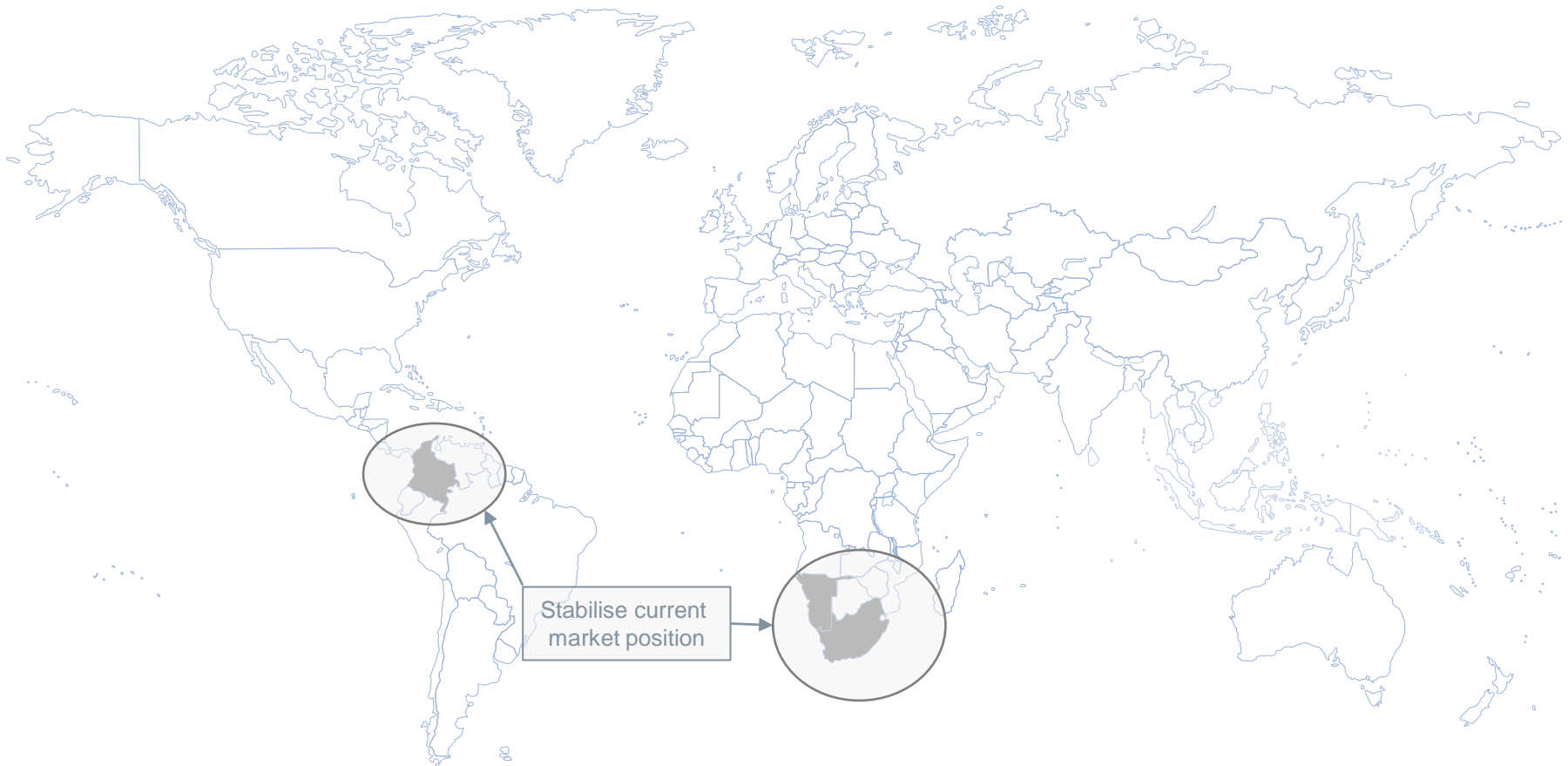
Opportunity for margin growth

- Our historic approach has been opportunistic - our coverage is thinly spread
- Attractive to extend our product offering at existing sites
 - Airlines prefer to contract with fewer suppliers
 - Typically higher margin activities
 - Promotes customer retention

Product breadth and complementary services offering

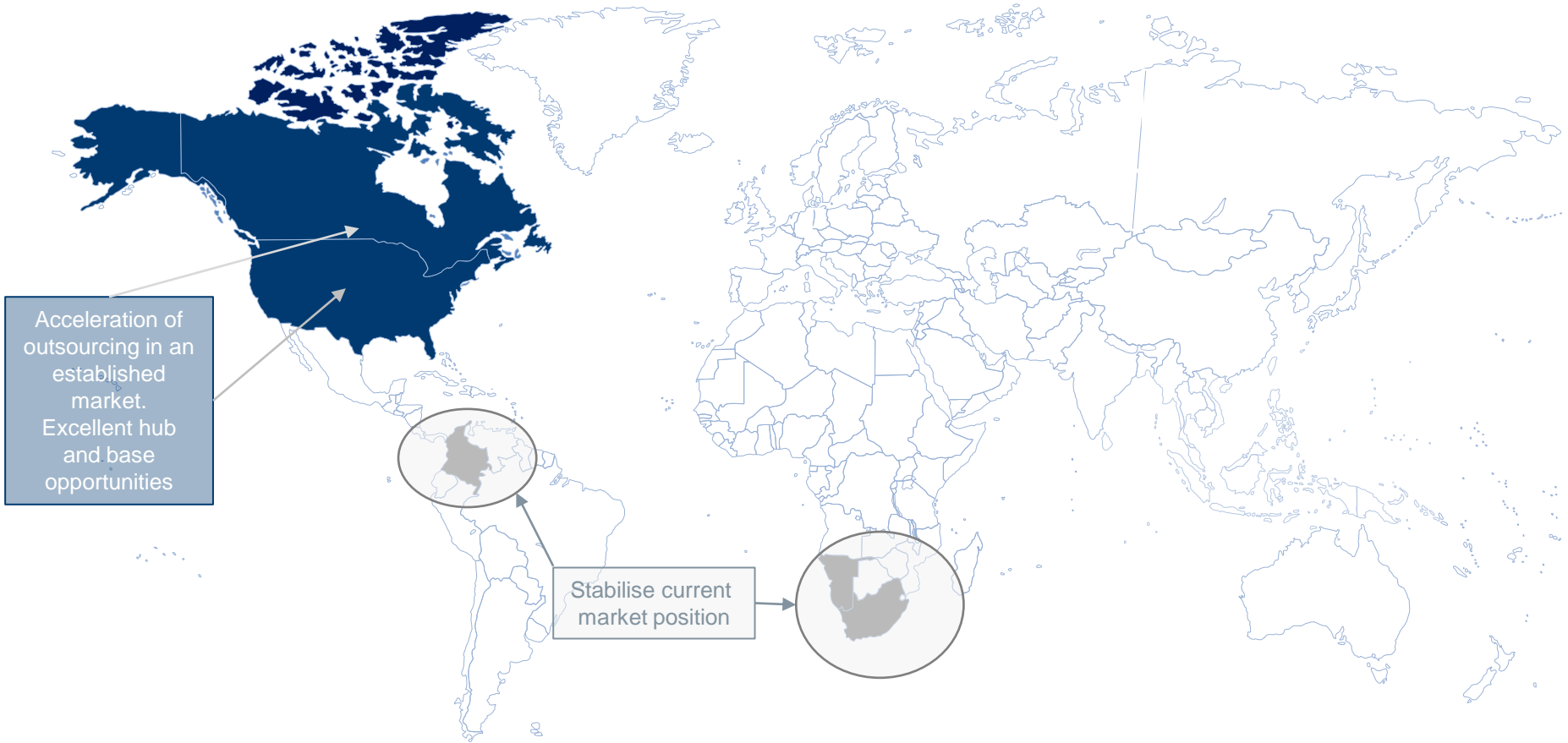


Focus our geographical investment and target Emerging Markets

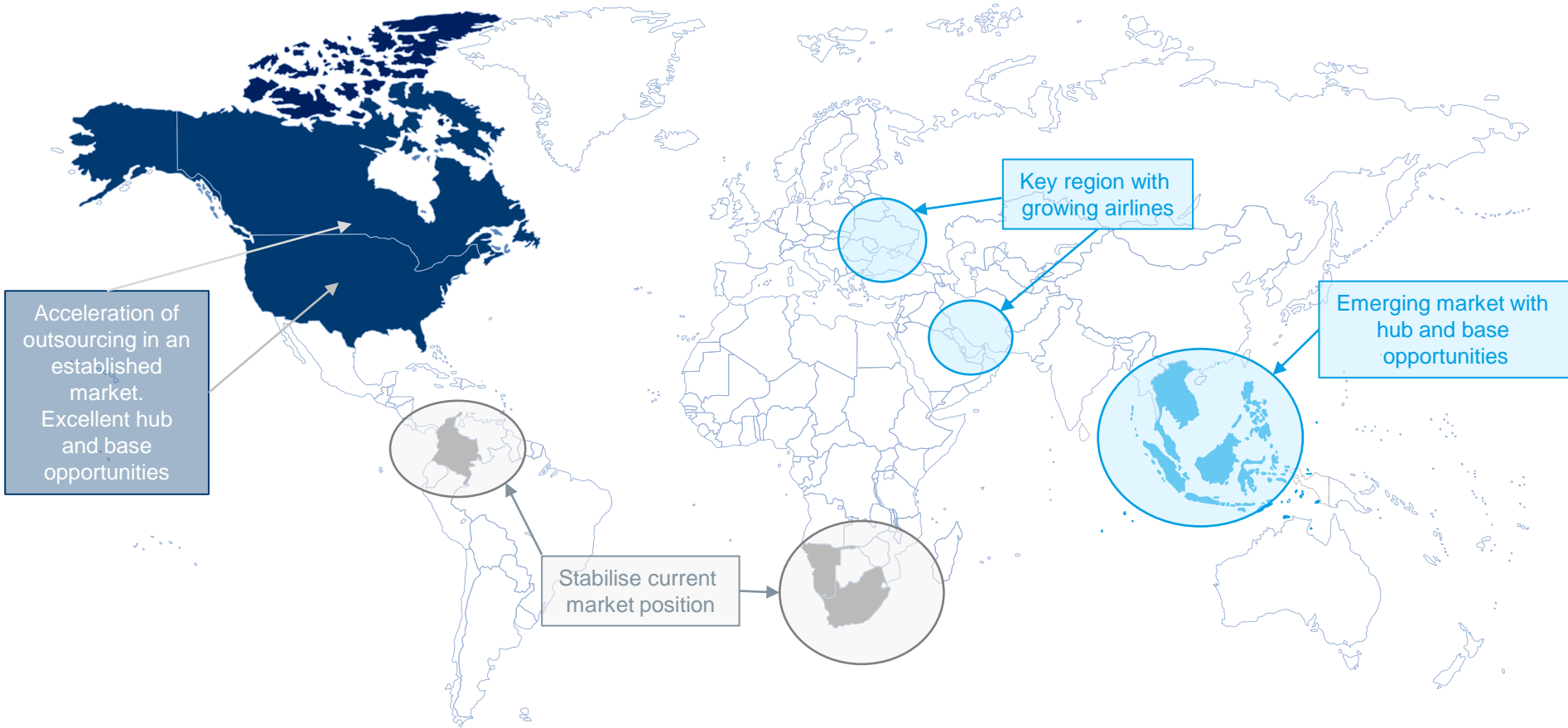


Stabilise current market position

Focus our geographical investment and target Emerging Markets



Focus our geographical investment and target Emerging Markets



Five strategic priorities

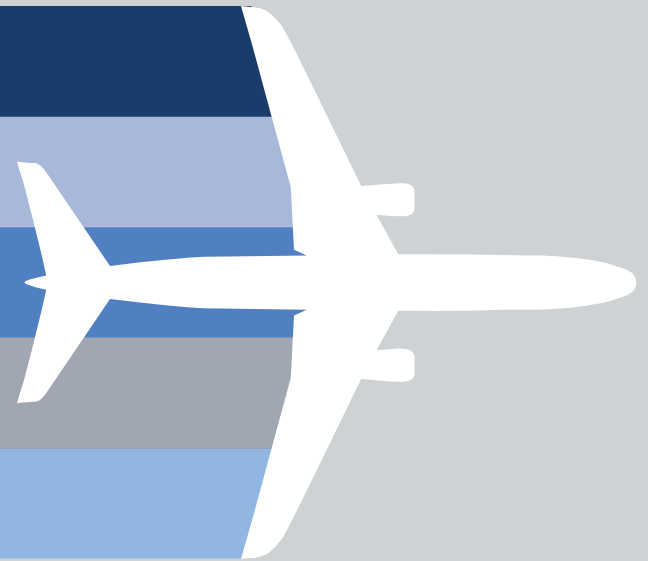
Focus on key customers

Pursue hubs & bases

Accelerate complementary services offering

Re-focus geographical investment

Expand in emerging markets



Driving better returns

Operational excellence

More scalable & more robust



Improving revenue and returns

Revenue

- Increase presence at hubs/bases, particularly in the US
- Tap into additional revenue streams in complementary services
- Re-focus geographical investment
- Build presence in Middle East and Asia over time

Returns

- Realise scale benefits from increasing presence at hubs/bases
- Increase density of operations with broader service range
- Move to longer term contracts
- Standardise best practices
- Optimise assets

John Menzies plc

Funding our growth



- Strong financial position essential for the business, its customers and its investors
- Targeted Total Debt/EBITDA range of 2.0-2.5x through the cycle
- Business is cash generative, but we will require upfront capex / opex, and might also involve bolt-on acquisitions
- Pragmatic approach to equipment funding
- Targeting returns on investment of at least 15%
- Aim to build headroom via EBITDA growth
- Dividend rebased to contribute investment into new opportunities

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Concluding observations



2015

- Our focus on the Right Way, Every Day
- Distribution business continuing to perform to plan
- Exciting growth potential in Aviation with favourable market dynamics
- Drive targeted growth



APPENDIX 1

ADDITIONAL INFORMATION



Profit Before Tax



£m	2014	2013
Underlying profit before tax	44.6	53.1
Non-recurring items in operating profit	(6.0)	(0.7)
Impairment charges	(3.2)	(1.4)
Non-recurring items in finance costs	(0.5)	(0.7)
Joint venture and associates tax	(2.0)	(1.6)
Contract amortisation	(7.2)	(6.6)
Profit before tax	25.7	42.1

Balance Sheet



£m	2014	2013
Tangible fixed assets and investments	147.9	140.6
Goodwill, intangibles and other assets	116.1	126.8
Working capital and other	(36.2)	(31.0)
Net debt	(110.9)	(103.5)
Pension liability, net of deferred tax	(47.2)	(36.6)
Net assets	69.7	96.3

Cash Flow and Net Debt



£m	2014	2013
Underlying EBITDA	74.9	82.5
Working capital decrease/(increase)	2.0	(13.0)
Other movements	(2.9)	(1.2)
Operating cash flow	74.0	68.3
Tax and net interest paid	(13.9)	(14.8)
Net capital expenditure	(30.1)	(20.9)
Free cash flow	30.0	32.6
Dividends	(17.1)	(15.9)
Acquisitions and investments	(2.2)	(12.7)
Exceptional items	(5.2)	(4.0)
Additional pension payment	(11.4)	(10.4)
Net spend on shares	(0.9)	(1.8)
Net cash flow	(6.8)	(12.2)
Net debt at start of year	(103.5)	(93.0)
Currency translation	(0.6)	1.7
Net debt at end of year	(110.9)	(103.5)

Divisional Cash Flow



£m	2014		2013	
	Aviation		Distribution	
Underlying EBITDA	46.8	52.7	30.6	31.1
Working capital decrease/(increase)	1.5	(6.2)	(2.5)	(6.9)
Other movements	(2.9)	-	2.8	0.5
Operating cash flow	45.4	46.5	30.9	24.7
Net capital expenditure	(25.8)	(18.0)	(4.3)	(4.2)
Free cash flow	19.6	28.5	26.6	20.5
Cash conversion %	112%	98%	111%	84%

Cash conversion is underlying operating cash flow before business development capital expenditure divided by underlying operating profit

Cash

- Orbital deferred payment £10.4m
- Working capital increase to support Aviation growth
- Capital expenditure c.£25m
- Dividend rebased to 16.2p
- Total Debt to EBITDA 2.0 to 2.5 times

Profit

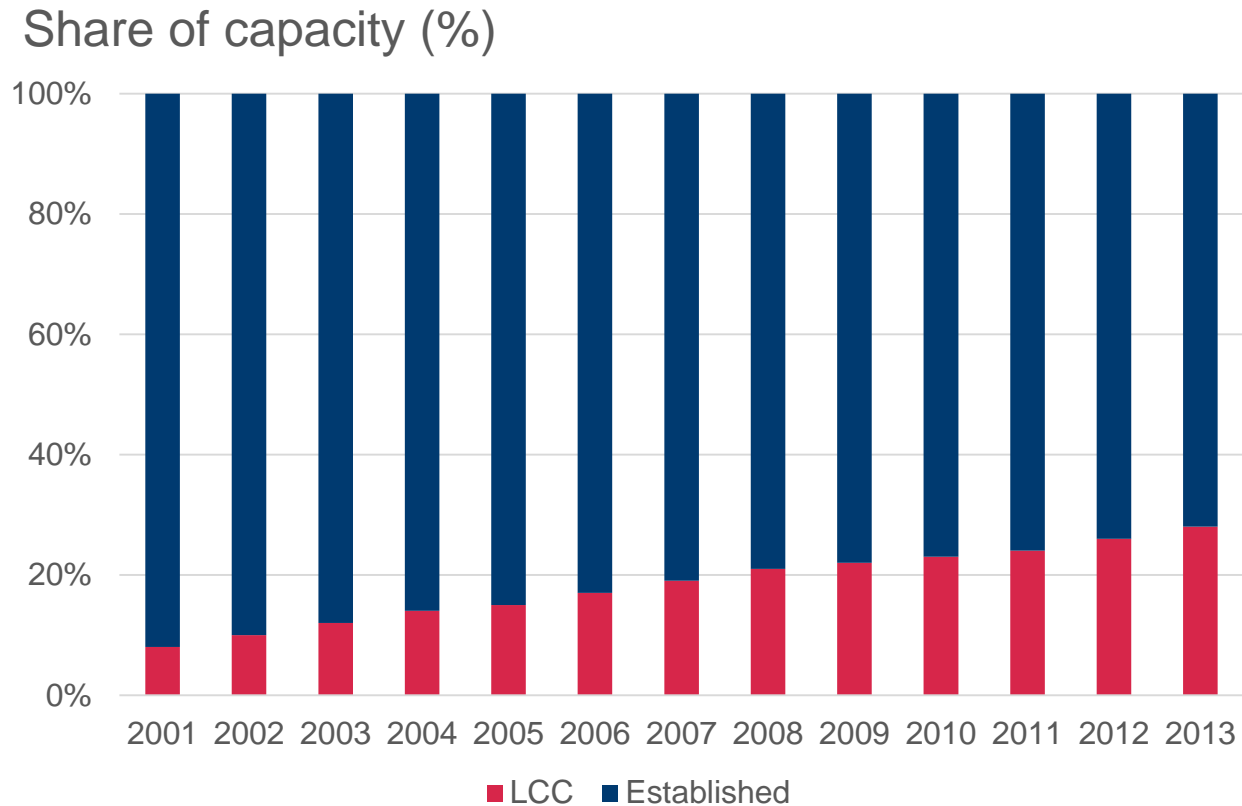
- Underlying tax rate 32% unchanged
- Ongoing volatile foreign exchange
- Spanish tender delay likely now to benefit 2016

Restructuring

- Distribution rationalisation/Aviation reshape

Low Cost Carriers

The growth opportunity

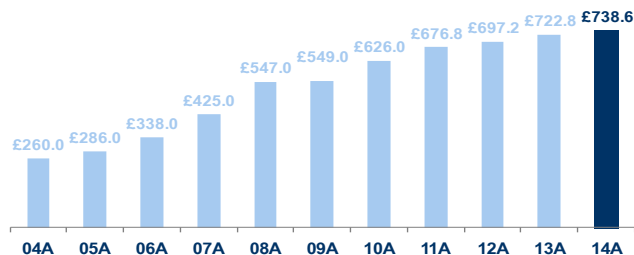


Menzies Aviation – Track Record

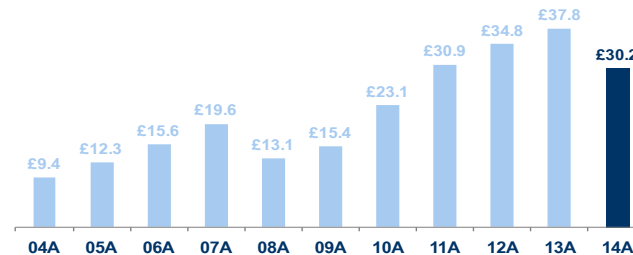


Our 10 year financial record

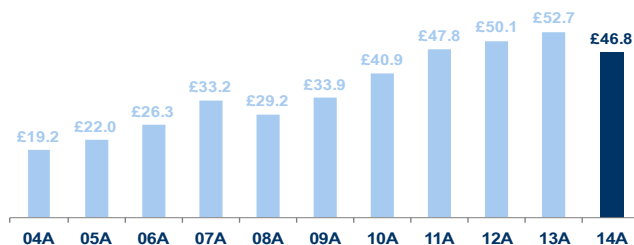
Revenue (£m)



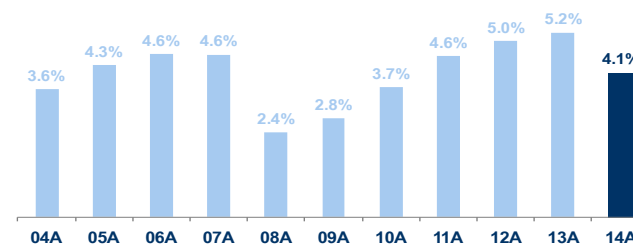
EBITA (£m)



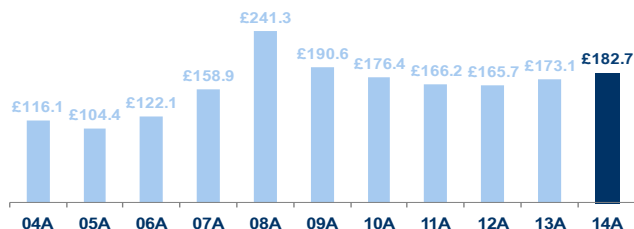
EBITDA (£m)



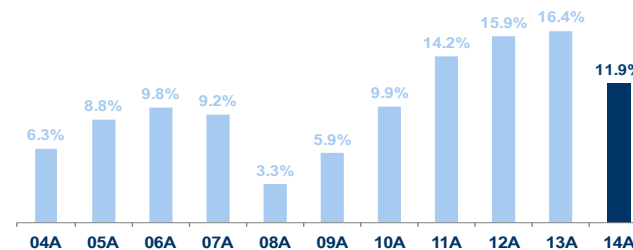
EBITA margin (%)



Capital Employed (£m)



ROCE post-tax (%)

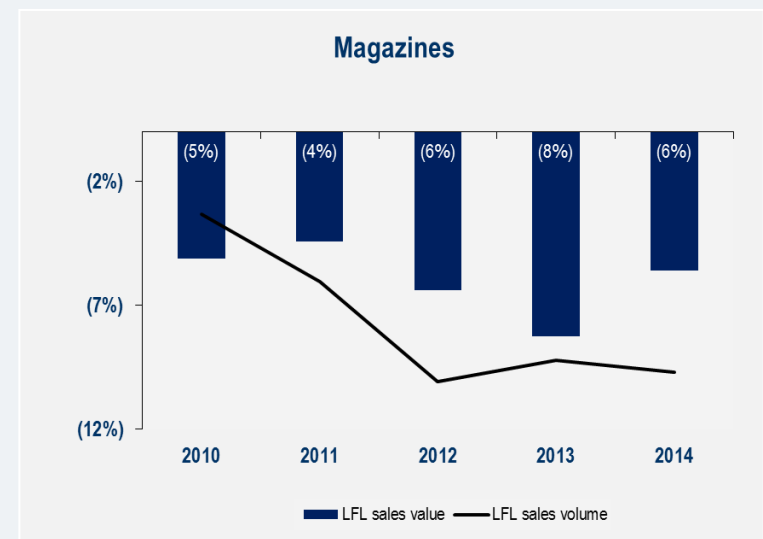
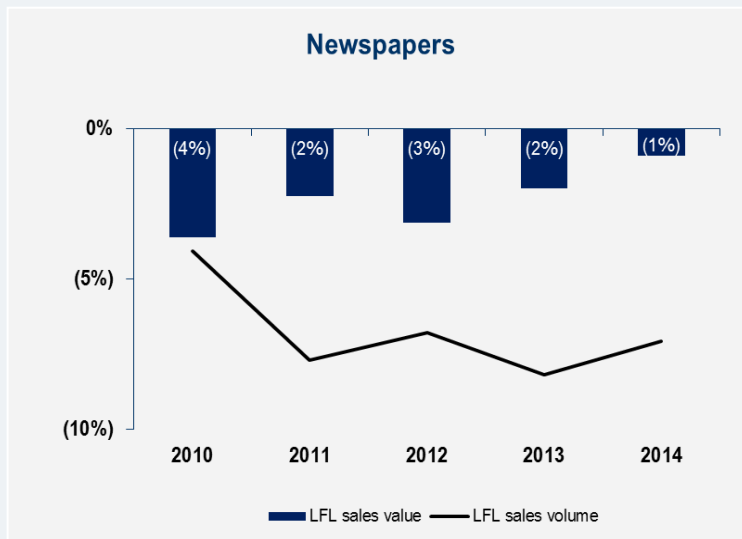


Note that historical numbers have been restated to reflect the impact of IAS 19

Menzies Distribution Volume



Core Volume

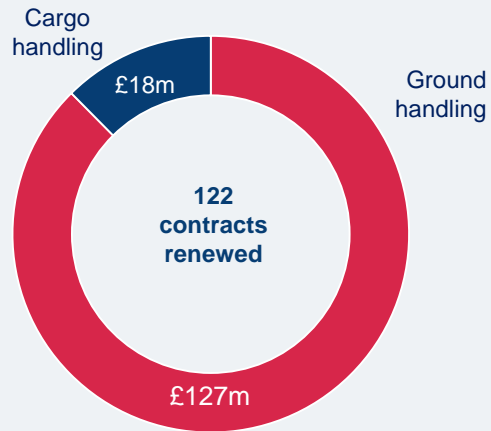


Menzies Aviation

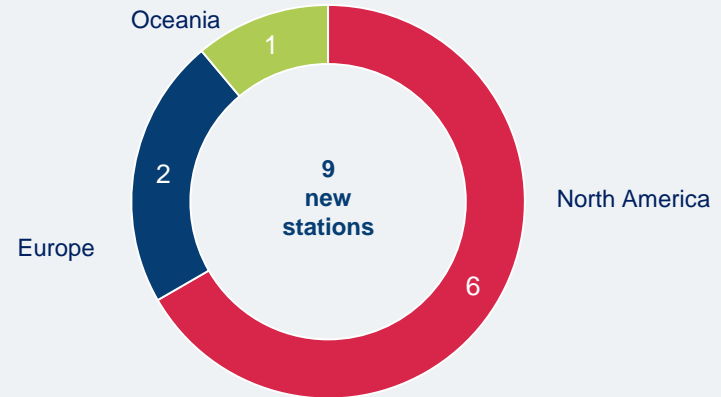
Business development



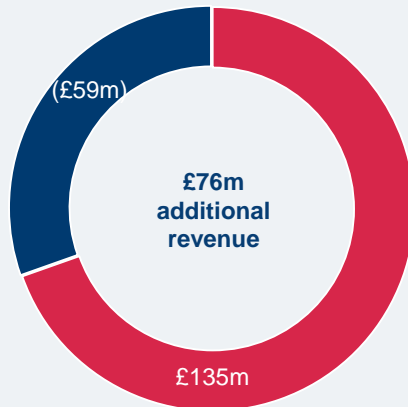
Contracts renewed



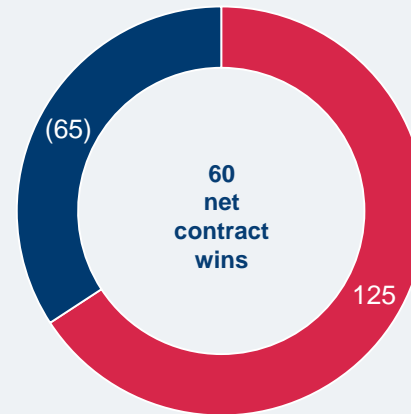
New stations



Revenue growth



Contract wins



Menzies Aviation

A typical contract



Contract	Length	Mainly 3 years – Industry standard contracts widely used
	Revenue basis	Price per turn – paid per service / per turn
	Turns	Aircraft type specific
	Ancillary services	Typically separate contracts
Start-up costs	Duration	60 days – all start-up costs are expensed
	Costs	Travel / accommodation, team, training
Equipment	Requirements	Contract specific
	Jet type	Narrow bodied and regional jets = cheaper equipment than wide bodied
Financials	Equipment	Capex or lease – dependent on leasing price and availability
	Target returns	IRR 15%, Payback 3-4 years
Legals	Contracts	Standard industry terms - IATA's Standard Ground Handling Agreement
	Liability	Capped and consistent across countries